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UNCLAS SECTION 01 OF 02 TEGUCIGALPA 000461

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SUBJECT: USAID/HONDURAS' RECOMMENDED PL 480, TITLE II
FUNDING LEVELS FOR FY 2005.

1. Concurrence. As requested in DCHA/FFP's PL 480 Title II guidelines for Cooperating Sponsor Results Reports and Resource Requests (CSR4), this is to provide recommended funding levels, Bellmon certification, certification of financial capabilities of the cooperating sponsor, and environmental compliance certification for CARE Honduras' FY 2005 Development Activity Program (DAP).

2. Annual Implementation Plan. CARE's FY 2005 Resource Request includes all the elements required in DCHA/FFP guidelines for CSR4 reports. A Detailed implementation Plan (DIP) for each program component has been included in the CSR4. The annual estimate of requirements (AER) was checked for completeness and accuracy.

3. Funding Levels Recommendation. USAID/Honduras recommends that the FY 2001-2005 CARE Title II DAP be funded in FY 2005 as follows (tonnage and section 202(E) levels):

Commodities are in metric tons as requested in lines 8 and 17 of the FY 2005 Annual Estimate of Requirements (AER).

COMMODITY	Line 8	Line 17
Small Red Beans Dry Edible	1,064	
1,060		
Non Parboiled Milled Rice	1,764	
1,760		
Vegetable Oil 4Lt. Tin	340	
340		
Corn Soy Blend (CSB)	1,012	
1,010		
Cornmeal	363	
363		
Wheat NS	12,500	
12,500		
Total Metric Tons	17,043	
17,030		

Section 202(E) level recommended for FY 2005: US DOLS. 185,000.

4. Financial capabilities of CARE/H to manage monetization proceeds. Based on audits of CARE's financial and management systems conducted by U.S. affiliated CPA firms, USAID/H states that: A) CARE/H has in place a financial accounting system and internal control structure that comply with generally accepted accounting principles and USAID regulations and financial requirements for grantees, B) the accounting system reviewed can adequately control, account for and report on the use of funds generated under the Title II Monetization Program; and C) CARE/H has in place an internal control structure that reasonably ensures proper financial management of activities funded by monetization proceeds. CARE's procedure manuals cover all major aspects of operations, are distributed to all relevant parties and are periodically reviewed for improvement in light of changes in the organization and its operating environment.

5. Bellmon Certification. The Mission Director has determined that there will be adequate storage and transportation available in Honduras at the time of arrival of Title II commodities to prevent their spoilage or waste. The Mission Director has also determined that the distribution or sale of commodities will not result in a substantial disincentive to, or interfere with, domestic production or marketing.

CARE Honduras has its main warehouse in San Pedro Sula, with a storage capacity of 6,500 MT, and it can

accommodate up to as 85 containers in its yard. The warehouse has adequate ventilation, forklifts, fumigation capabilities and other equipment for the safe handling and storing of Title II commodities. The 12,500 MT of wheat to be monetized will be sold C.I.F. Puerto Cortes, based on a previously signed contract and do not present any storage problems to CARE.

CARE targets the food aid to the poorest rural areas of western Honduras where production is very low and access to food at commercial prices is very limited. Furthermore, the recent droughts and coffee crisis affecting the region have negatively impacted the income of these poor families and further undermined their food security. Beneficiaries often do not have the resources to procure food, and the Title II food aid will not adversely impact local markets. Regarding commodities for monetization, wheat is not produced locally.

16. Environmental Review. The environmental status report has been reviewed and approved by the Mission's Environmental Officer.

17. Host Country Food for Peace Agreement. The Honduras Food for Peace Agreement, signed on March 21, 2001, incorporates by reference AID regulation 11, in clause 7.1. A copy of this document has been provided to DCHA/FFP/DP. Please advise if further information is required.

PALMER